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FISCAL IMPACT STATEMENT

LS 6926

BILL NUMBER: HB 1325

NOTE PREPARED: Mar 20, 2012

BILL AMENDED: Feb 23, 2012

SUBJECT: Sales and Use Tax Exemptions

FIRST AUTHOR: Rep. Pond

BILL STATUS: Enrolled

FIRST SPONSOR: Sen. Hershman

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill specifies the use tax exemption for certain aircraft when there is an addition to or reconfiguration of the interior of an aircraft. It specifies when delivery occurs. This bill provides a sales and use tax exemption for transactions involving tangible personal property by a company that is engaged in offering a competitive racing experience in a two-seater Indianapolis 500 style race car during a competitive racing event. The bill provides an exemption from the state gross retail tax for tangible personal property acquired for the exclusive purpose of complying with the state tobacco tax laws. It provides a sales and use tax exemption for transactions involving tangible personal property related to the repair, maintenance, refurbishment, remodeling, or remanufacturing of an aircraft or an avionics systems of an aircraft with a country of registration that is outside the United States and that either: (1) has a minimum landing weight of at least 5,000 pounds; or (2) is equipped with a turboprop or turbojet power plant.

The bill requires the Commission on State Tax and Financing Policy to study issues related to whether the exemption should be made to apply to all aircraft and avionic devices.

Effective Date: (Amended) January 1, 2009 (retroactive); January 1, 2011 (retroactive); July 1, 2012.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the sales tax exemptions proposed in the bill. The DOR's current level of resources should be sufficient.

(Revised) *Commission on State Tax and Financing Policy Study Topic:* This bill requires the Commission on State Tax and Financing Policy to study issues related to whether the sales tax exemption proposed in the bill

should be made to apply to all aircraft and avionics devices.

Interim study committees operate on budgets established by the Legislative Council based on committee size. The Commission on State Tax and Financing Policy has five members, all of whom are legislators. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim for committees with fewer than 16 members. The Commission on State Tax and Financing Policy should be able to add this study topic to their plan of work within the likely committee budget.

Explanation of State Revenues: (Revised) *Sales and Use Tax Exemption for Certain Aircrafts:* This bill provides a sales and use tax exemption for transactions involving tangible personal property related to the repair, maintenance, refurbishment, remodeling, or remanufacturing of an aircraft or an avionics systems of an aircraft with a country of registration that is outside the United States and that either: (1) has a minimum landing weight of at least 5,000 pounds; or (2) is equipped with a turboprop or turbojet power plant. The impact would ultimately depend upon the expenditures incurred which would have been subject to sales tax absent this provision. The bill provides the use tax exemption if the work requires the issuance of an airworthiness certificate from the Federal Aviation Administration or an equivalent foreign regulatory authority.

Sales Tax Exemption for Tangible Personal Property: This bill provides a sales tax exemption for tangible personal property that is leased, owned or operated by a company that is engaged in offering a competitive racing experience during a competitive racing event and comprises any part of a two-seater Indianapolis 500 style race car. The bill excludes tires and accessories from the sales tax exemption. This provision would decrease sale tax revenue by an indeterminable amount.

Sales Tax Exemption for Tobacco Stamping Equipment: This bill would decrease Sales Tax revenue by an indeterminable amount. The bill provides an exemption from the Sales Tax for tangible personal property acquired for the exclusive purpose of complying with the state tobacco tax laws. The extent of the decrease would depend on the prices and sales of tobacco tax stamping equipment. Prices of such equipment could range from about \$5,000 to \$10,000 for hand-held stamping machines and about \$100,000 for automated stamping machines.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Local units.

Information Sources:

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